



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

Elizabeth Smith, Treasurer
The Madison Project Inc.
P.O. Box 100
Centreville, VA 20122

APR 16 2003

Identification Number: C00298000

Reference: October Quarterly Report (7/1/02-9/30/02)

Dear Mrs. Smith:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Schedules A and B of your report disclose your committee has received apparent earmarked contributions for several federal candidates. Please be advised, if the contributions passed through your committee's account, then a notation must be made which states this and each must be itemized on Schedules A and B, regardless of the amount. In addition, if the earmarked contributions were forwarded in the form of the contributor's check, then a notation must be made which states this and they should be disclosed as MEMO entries on Schedules A and B, regardless of the amount. For disclosure purposes, the name and mailing address for each contributor must be provided and where the contribution exceeds \$200, the individual's occupation and name of employer must also be itemized. 11 CFR §106.6(c)(1)(iv) Please amend your report accordingly and provide the omitted schedule(s).

-Your report discloses a transfer(s) for "Overhead Expenses", "Overhead Federal Expenses", "Transfer for Federal Overhead Expenses", "Overhead Expenses for Federal Acct", and "Federal Overhead Expenses" to the **Madison Project Inc. Admin Fund** which appears to be a non-federal account of your committee. 11 CFR §§106.5 and 106.6 prohibits a committee's federal account from reimbursing its non-federal account for shared allocable expenses. Furthermore, the non-federal account is

prohibited from paying the federal account's share of these expenses. These types of costs must be paid according to the allocation ratio derived from the appropriate method on a Schedule H1.

The Commission notes your Mid-Year and Year End Reports' Electronic Submission (received on 10/22/02) which states, "... the federal account transferred one hundred percent (100%) of the amount needed to pay the administrative and overhead expenses associated with the federal account to the non-federal account and these expenses were paid immediately after transfer." However, all disbursements, contributions, expenditures and transfers by the committee in connection with any federal election shall be made from its federal account. 11 CFR §102.5(a)(i)

If the transfer(s) in question was incompletely or incorrectly disclosed, you should amend your original report with clarifying information. If your non-federal account has paid for any expenditure which should have been allocated, you are advised to correct any non-compliance with 11 CFR §106.5 and 106.6 and establish procedures to insure future compliance with allocation regulations. The Commission notes that in your Electronic Submission received 10/22/02 you also state, "Beginning October 1, 2002, the Madison Project will pay all operating expenditures out of the federal account."

Although the Commission may take further legal action regarding this apparent improper allocation activity, your prompt action will be taken into consideration.

A response or amendment to your original report(s) correcting the above problem(s) should be filed with the Federal Election Commission within fifteen (15) days of the date of this letter. Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530 (at the prompt press 1, then press 2 to reach the Reports Analysis Division). My local number is (202) 694-1130.

Sincerely,



Antoinette Kitchen
Senior Campaign Finance Analyst
Reports Analysis Division

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